United Nations E/C.18/2015/2

Economic and Social Council

Distr.: General
10 August 2015

Original: English

Committee of Experts on International Cooperation in Tax Matters
Eleventh session
Geneva, 19-23 October 2015
Item 3 of the provisional agenda*
Discussion of substantive issues related to international cooperation in tax matters

Addis Ababa Action Agenda: outcomes related to the work of the Committee of Experts on International Cooperation in Tax Matters

Note by the Secretariat

Summary

The present note provides a summary of the main elements of the Addis Ababa Action Agenda, which was adopted at the Third International Conference on Financing for Development, that are relevant to the work of the Committee of Experts on International Cooperation in Tax Matters.

* E/C.18/2015/1.

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Summary of the provisions related to international cooperation in tax matters

1. As the Millennium Development Goals come to an end in 2015, the States Members of the United Nations will adopt a new global development agenda for the next 15 years at a summit in New York in September 2015.

2. The new agenda, entitled "Transforming our world: the 2030 agenda for sustainable development", includes 17 sustainable development goals and is aimed at ending poverty, promoting prosperity and people's well-being and protecting the environment by 2030.

3. The 2030 agenda can be achieved within the framework of a revitalized global partnership for sustainable development, supported by the specific policies and actions outlined in the Addis Ababa Action Agenda (resolution 69/313, annex), which was adopted at the Third International Conference on Financing for Development held in Addis Ababa from 13 to 16 July 2015, and endorsed by the General Assembly in its resolution 69/313.

4. The goal of the financing for development process, as mirrored in the outcome documents of the 2002 International Conference on Financing for Development (A/CONF.198/11) and the 2008 Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (resolution 63/239, annex), has always been to forge a global agreement on how to address the challenges of financing development in a holistic and integrated manner.

5. The Action Agenda provides a strong foundation to support the implementation of the 2030 agenda. Official development assistance remains crucial, in particular for countries most in need, but aid alone will not be sufficient. The Action Agenda addresses all sources of finance: public and private, national and international. Governments recognize that finance not only is about financing flows; it also depends on public policies that strengthen the national and international enabling environments.

6. The Action Agenda highlights the principle that each country is responsible for its own economic and social development, while recognizing the regulatory and other policy requirements that will be needed to realize the economic, social and environmental dimensions of sustainable development. To address larger and more diverse financing needs for sustainable development, the Action Agenda offers a nuanced understanding of the benefits and the risks associated with various types of finance. It puts forward specific public policies and regulatory frameworks to encourage private investments that support the sustainable development goals, including more sustainable consumption and production patterns. It stresses the importance of long-term investment and that all financing must be aligned with sustainable development priorities. It spells out the potential contributions of public finance, highlighting the growing role of national and international development banks. It also emphasizes that development and dissemination of technology, as well as capacity-building, are key means of implementation for the post-2015 development agenda.

7. The Action Agenda clearly recognizes that taxation and international tax cooperation are critical to financing sustainable development. While "tax matters" were mentioned four times in the outcome document of the International Conference on Financing for Development, the Action Agenda refers to "tax issues" 35 times. Tax revenues are not a replacement for official development assistance, but they are a more reliable source of finance.

8. At the Third International Conference on Financing for Development, Governments agreed that they "remain committed to further strengthening the mobilization and effective use of domestic resources" (resolution 69/313, annex, para. 20). The Heads of State and Government and High Representatives who attended the Conference welcomed efforts by countries to set nationally defined national targets and timelines for enhancing national revenue, and agreed to support developing countries in need in reaching those targets. Countries committed themselves to improving the fairness, transparency, efficiency and effectiveness of their tax systems, including by broadening the tax base and strengthening tax administration. Countries also agreed to strengthen international cooperation to build capacity in developing countries, including through enhanced official development assistance (resolution 69/313, annex, para. 22).

9. In the Action Agenda, countries agreed to redouble efforts to substantially reduce illicit financial flows by 2030, with a view to eliminating them over time, including by combating tax evasion and corruption through strengthened national regulation and increased international cooperation. To help combat illicit financial flows, countries invited the International Monetary Fund (IMF), the World Bank and the United Nations to assist in this regard and for appropriate international institutions and regional organizations to publish estimates on the volume and composition of illicit financial flows. Moreover, Governments affirmed that they would strive to eliminate safe havens that create incentives for transfer abroad of stolen assets and illicit financial flows. Governments also agreed to strengthen regulatory frameworks to further increase transparency and accountability of the financial institutions and the corporate sector (resolution 69/313, annex, paras. 23-25).

10. Governments are committed to reducing opportunities for tax avoidance and to consider inserting anti-abuse clauses in all tax treaties. The Action Agenda also calls on companies to pay taxes to the Governments of countries where economic activity occurs and value is created (see resolution 69/313, annex, para. 23).

11. The Action Agenda recognizes the special challenge faced by countries relying on natural resource exports. In this respect, countries encouraged investment in value addition and processing of natural resources and productive diversification, and committed themselves to addressing excessive tax incentives in the extractive industries. In the Action Agenda, countries are encouraged to advocate to implement measures to ensure transparency, and take note of the Extractive Industries Transparency Initiative. Countries affirmed the need to continue sharing best practices and to promote peer learning and capacity-building for contract negotiations for fair and transparent concessions, revenue and royalty agreements and for monitoring the implementation of contracts (resolution 69/313, annex, para. 26).

12. Countries agreed to strengthen international cooperation in tax matters, including by adopting policies on country-by-country reporting by multinational

enterprises to tax authorities where they operate; ensuring access to beneficial ownership information for competent authorities; and progressively advancing towards automatic exchange of tax information among tax authorities as appropriate, with assistance to developing countries, especially the least developed, as needed. The Action Agenda notes that countries can engage in voluntary discussions on tax incentives in regional and international forums with a view to ending harmful tax practices (resolution 69/313, annex, para. 27).

13. The Action Agenda stresses that efforts in international tax cooperation should be universal in approach and scope and should fully take into account the different needs and capacities of all countries, and emphasizes the importance of inclusive cooperation and dialogue among national tax authorities. With regard to the work of the Committee of Experts on International Cooperation in Tax Matters, including its subcommittees, countries decided to further enhance its resources in order to strengthen its effectiveness and operational capacity. To that end, they committed themselves to increasing the frequency of its meetings to two sessions annually, with a duration of four working days each. The engagement of the Committee with the Economic and Social Council will be strengthened, including through the Council's Special Meeting on International Cooperation in Tax Matters, with a view to enhancing intergovernmental consideration of tax issues. The Action Agenda urges Member States to support the Committee and its subsidiary bodies through the voluntary trust fund, to enable the Committee to fulfil its mandate, including supporting the increased participation of developing country experts at subcommittee meetings. According to the Action Agenda, members of the Tax Committee shall continue to be appointed by the Secretary-General, in consultation with Member States (resolution 69/313, annex, paras. 28-29).

14. The importance of strengthening international tax cooperation and the work of the Tax Committee featured prominently in the plenary meetings (see A/CONF.227/CRP.1) and multi-stakeholder round tables[1] at the Third International Conference on Financing for Development. In addition, many side events focused on national resource mobilization and international tax cooperation.[2]

15. Recognizing the centrality of national resource mobilization, four major initiatives were launched at the Conference in the area of tax administration and international tax cooperation: a joint initiative of the Organization for Economic Cooperation and Development and the United Nations Development Programme on tax inspectors without borders; the Addis tax initiative, supported by over 30 countries and relevant international organizations; a joint initiative of the World Bank and IMF aimed at increasing the participation of developing countries in the international debate on tax rules and improving their diagnostic tax policy tools; and a new Asia-Pacific Tax Forum.

16. Following the adoption of the Action Agenda , the Permanent Representative of South Africa to the United Nations, speaking on behalf of the Group of 77 and China, highlighted some issues that were not adequately addressed in the Action

[1] The summaries of the round tables are available from www.un.org/esa/ffd/ffd3/documents.html.

[2] The full list of side events is available from www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/06/Draft-List-FfD3-Side-Events.pdf.

Agenda, including the need to fully upgrade the Tax Committee to an intergovernmental body.[3]

17. It will become clearer over time how the action items related to international cooperation in tax matters will be implemented, in particular how the work of the Committee of Experts will be strengthened and resourced, and how the process for selection of its members will function in the future.

[3] The statement of the Permanent Representative is available from www.un.org/esa/ffd/ffd3/wp-content/uploads/sites/2/2015/07/South-Africa-on-Behalf-of-G77-Closing.pdf.